Committee On Finance

Max Baucus, Ranking Member

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For Immediate Release
Thursday, January 22, 2004

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Baucus Works Together to Present Short-Term Pension Solution

Senate Likely to Pass Grassley-Baucus-Kennedy-Gregg Pension Amendment in Coming Days

(WASHINGTON, D.C.) U.S. Senator Max Baucus today joined Chairman Chuck Grassley, and Sens. Edward Kennedy (D-Mass.) and Judd Gregg (R-N.H.) in proposing a short-term solution to assist companies in calculating required contributions to their defined-benefit pension plans.

On Jan.1 of this year a temporary adjustment to the interest rate used to determine what companies must contribute to their employee defined-benefit plans expired, and if Congressional action is not taken, companies will have to calculate their contributions by a formula tied to the U.S. Treasury Department's 30-year bond, which is no longer issued.

Today, Baucus, Grassley, Kennedy and Gregg proposed an amendment to the House-passed pension bill that would tie the contribution formula to the interest rate on long term corporate bonds instead of to the 30-year Treasury interest rate for two years.

Baucus, who was not able to participate in the debate on the Senate floor today because he is continuing to recover from surgery, worked closely with his colleagues and anticipates delivering his support publicly on the Senate floor on Monday.

"I have stayed in close contact with my colleagues and am pleased that we're tackling this issue so early in the legislative year," Baucus said. "If we don't take action, employer contributions will become prohibitively high for many companies and they may be forced to discontinue the benefit all together. The economy has still not fully recovered and it's important that we give employers the tools they need to take care of their employees."

The manager's amendment would also reduce the amount that companies must contribute in "catch-up" funding to under-funded pension plans - known as Deficit Reduction Contribution (DRC) Relief. The amount of DRC would be reduced by 80 percent this year and by 60 percent next year for companies that were not subject to the DRC requirement in 2000. Airlines, steel companies and the Transportation and Communication Workers' Union plans that were not subject to the DRC in 2000 would automatically qualify for the relief. Other employers would be eligible for relief by applying to the U.S. Treasury Department.

"I'm hopeful that this relaxation in DRC contributions will allow certain industries, such as the struggling airline industry, to retain the extra dollars they need to get back on their feet," Baucus said. "Our amendment is only a short-term solution. I urge the Congress to continue work on long-term pension solutions such as the bill that passed out of the Finance Committee last fall."

Last September, the Finance Committee passed the Grassley-Baucus "National Employee Savings and Trust Equity Guarantee Act," which would have corrected the rate that defines employer contributions, as well as provided greater transparency and accountability in pension plans.

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